

# **Drinking Water Infrastructure Improvement**

**Presentation to the Cabinet Committee on  
State Planning Issues**

**February 2007**



*DELAWARE HEALTH  
AND SOCIAL SERVICES*  
Division of Public Health  
Office of Drinking Water

# **DHSS/DPH Programs**

- **Drinking Water State Revolving Fund (DWSRF)**
- **21<sup>st</sup> Century Drinking Water Management Account (WMA)**

# **DWSRF General Information**

- **Drinking Water State Revolving Fund (DWSRF)**
- **Program started in Delaware in 1998**
- **21 projects have been funded**
- **\$63.7M has been allocated**

# Funding Sources

- **Annual Capitalization Grant from EPA**
- **20% match from the 21<sup>st</sup> Century Fund**

# Funding Uses-Set Asides

## **2% Technical Assistance to Small Water Systems**

- **Delaware Tech** – Licensing and Continuing Education
- **Delaware Rural Water Association** – On Site Technical Assistance

# **Funding Uses-Set Asides**

## **4% Program Administration**

- **Office of Drinking Water**
- **DNREC Accounting Section**

# **Funding Uses-Set Asides**

## **10% Program Management**

- **Underground Injection Control (DNREC)**
- **Public Water Supply Supervision (DHSS)**

# **10% Program Management cont.**

- **Operator Certification (DHSS)**
- **Capacity Development - new systems and DWSRF applicant assistance (DHSS)**



# **Funding Uses-Set Asides**

## **15% Local Assistance**

- **Source water assessments (DNREC)**
- **Well head protection (DNREC)**

# **15% Local Assistance**

**cont.**

- **Capacity Development- existing systems (DHSS)**
  - **Non-regulatory program that offers systems assistance in technical, managerial and financial capacity to meet requirements of the Safe Drinking Water Act.**

# **Funding Uses-Projects**

## **Projects**

- **Remaining money used to fund projects**
- **Generally about \$7.5M**

# Project Descriptions

- **Finished water reservoir covering**
- **Main replacements**
- **Storage tanks**
- **Arsenic removal**
- **Nitrate removal**
- **Treatment plant upgrades**

# Loan Terms

- **20 year loans**
- **Interest rates are determined 10 days prior to loan closing according to financial publication reporting**
- **2005 average interest rates for municipalities was 2.42%**

# Cont.

- **DHSS charges a 1% administrative fee on loans. Due at the time of closing and cannot be part of the loan**

# Disadvantaged Communities

- **Serves residents whose MHI\* is less than 100% of the county wide MHI, based on the most recent census; and**
- **Has or will have user rates exceeding 1.5 % of the system or town MHI; or resulting combined water and sewer user rates exceeding 3.0% of the system or town MHI; and**
- **Has submitted a loan application primarily for resolution of a health or compliance problem.**

\* MHI = Median Household Income

# **Application Consideration**

- **Borrowing limits**
- **Charter requirements**
- **Agreement of elected officials**
- **Payment schedules**
- **Interim financing**
- **Readiness to proceed**
- **Impact on user rates**
- **Strategies for State Policies and Spending**



# Application Process

## Pre-Applications

- **August 15** – mailed out to all eligible water systems
- **September 15** – due back to ODW
- **October 1** – reviewed and ranked
- The review process will now include a representative of the Office of State Planning Coordination

# Application Process

## Definitions

- **Project Priority List** - the list of pre-applications in order of points given through the review process

# Definitions

- **Intended Use Plan** - a plan required by EPA that provides the framework for funding sources and uses

# Definitions

- **Funding Line** - the dollar amount allocated to projects and determined on the Project Priority List after the Set-Asides amounts are determined

# **Application Process**

## **Public Workshop**

- **Held in mid-October**
- **EPA requires states to conduct a public hearing to present the Project Priority List and the Intended Use Plan**
- **Written comment is accepted for two weeks after the public workshop**

# Application Process

## Full Applications

- **October 15** – mailed out to applicants above the funding line
- **January 15** – due back to ODW

# **Water Management Account**

**Funding Source is the 21<sup>st</sup> Century Fund**

# **Water Management Account uses**

- **To supplement DWSRF loans to make projects affordable**
- **To provide funding to projects below the funding line**
- **Funds may also be used for emergency situations**
- **Funding is via grants and loans**



# **Water Management Account process**

- **Projects must be on the DWSRF Project Priority List**
- **Review process is the same as DWSRF projects**

# **Funding Process**

## **Full Applications**

**Are reviewed by ODW staff for:**

- **Environmental Assessments**
- **Capacity Development**

## **Cont.**

- **Financial Reviews are completed by DNREC staff.**
- **They are then forwarded to ODW for inclusion in packet**

# **Funding Process**

**Reviews are then compiled in a report that is presented to the Cabinet Committee for State Planning Issues (CCSPI).**

**Upon CCSPI approval, the Secretary of Finance signs a resolution that allows the funds to be loaned by the state**

# **Binding Commitments**

**Applicant is agreeing to accept the money they have applied for and are given two weeks to sign binding commitments**

# Current Issues

New Language in Binding Commitments has been included because some projects have been slow to proceed.

# Loan Closing

- **Occur when municipalities have met all charter requirements**
- **Items that are taken into consideration are the need for public hearings, special town sessions or meetings, and referendums**

# **Current Issues**

## **Full Application “Proposed Schedule”**

- **Should be achievable and realistic.**
- **Projects should be ready to proceed at the time of loan closing.**
- **Financial penalties may be imposed if projects do not progress in a timely fashion.**



# **Current Issues**

## **Interim Financing**

**Applicants will have to provide proof of interim financing at time of Notice to Proceed.**

# Ineligible Projects

- **Dams or rehabilitation of dams**
- **Water rights**
- **Raw water reservoirs**
- **Projects needed primarily for fire protection**
- **Projects needed to primarily serve future population growth**

# **Growth**

**DHSS is working to determine a definition of 'reasonable growth'**

**Examples of language that indicates growth are:**

- **Proposed/planned developments**
- **New annexations**
- **Projected growth**
- **To serve residential growth**

# **Growth cont.**

**All projects in Level 4 of the “State Strategies for Policies and Spending” will be reviewed to determine if growth is an element of the project.**

**Only projects that address a public health issue in Level 4 areas will be eligible for funding.**

# Ineligible Project-Related Costs

- **Laboratory fees for routine compliance sampling**
- **Operation and maintenance expenses**
- **Contracts for operation and maintenance**



**Questions?**

# Contact Information

**Heather Warren**

**DWSRF Program Manager**

[Heather.Warren@state.de.us](mailto:Heather.Warren@state.de.us)

**302-741-8585**

**Doug Lodge, PE**

**Engineer**

[Doug.Lodge@state.de.us](mailto:Doug.Lodge@state.de.us)

**302-741-8588**

**Ed Hallock**

**ODW Program Administrator**

[Edward.Hallock@state.de.us](mailto:Edward.Hallock@state.de.us)

**302-741-8590**